July 7, 2010

RIte Care Data Book

State of Rhode Island

10-Month Rates for the period 9/1/2010 through 6/30/2011

WITH ARTICLE 20
As Enacted

Final & Confidential

Prepared By:
HealthCare Analytics
PO Box 41408
Providence, RI 02940-1408

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INTRODUCTION

The Rhode Island Department of Human Services (DHS, the State) requested that HealthCare Analytics assist with developing actuarially sound capitation rates for the rate period 9/1/2010 through 6/30/2011 for RIte Care, a Medicaid managed care program implemented under the Rhode Island Global Consumer Choice Compact 1115 Waiver Demonstration.

This document presents an outline of the development of actuarially sound capitation rates that were made consistent with the guidance provided in the Centers for Medicare and Medicaid Services (CMS) Rate Checklist, and which is sought for the purpose of attaining rate approval from CMS under 42 CFR 438.6(c).

The rates were developed from existing claims data for the target populations, which were adjusted, smoothed and trended to the rate period. Adjustments were made to account for off-line expenses not reflected in the claims data, as reconciled between DHS and the health plans, as well as programmatic changes that will impact future claims. Such programmatic changes include the Generics Drugs First program initiative, introduced effective 2/1/2009; the inclusion of CAITS services as in-plan benefits effective 4/1/2009; and an enacted legislative initiative referred to as 'Article 20' in this document. The claims were trended forward to the rate period using the indicated trends in the claims experience, tempered by observations in the data and general trends in the marketplace for Medicaid managed care. Finally, administrative and premium tax loads were included, as applicable, to develop actuarially sound capitation rates.

Base period and trend selection, rates, assumptions and observations of the underlying data in support of the proposed capitation rates for RIte Care were performed in consultation with the actuarial firm of Donlon & Associates, which also provides the certification letter required by CMS.

HealthCare Analytics relied on data and analysis produced by DHS and its subcontractors for the RIte Care claims experience (encounter data), data related to programmatic changes such as listed above and the following program initiatives and changes to develop the projected RIte Care rates presented in this data book:

- Communities of Care
- Selective Contracting
- Pharmacy Lock-in
- Impact of Drug Rebate Equalization (DRE) on standard plan pharmacy rebates
- Fraud & Abuse

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CAPITATION RATES & DEMOGRAPHICS

Since its inception, RIte Care has been providing eligible children and their families with comprehensive health coverage through the three largest health plans in Rhode Island, including Neighborhood Health Plan of Rhode Island (NHPRI), United Healthcare of New England (UHCNE) and Blue Cross and Blue Shield of Rhode Island (BCBSRI). The health plans have been reimbursed on a capitation rate basis, based on rate cells that are largely age and gender driven, whereas Extended Family Planning (EFP) is paid for certain qualifying post-partum women for a restricted benefit package, and SOBRA is a lump sum payment made for eligible pregnant women for the care and delivery of their child.

The capitation rates and SOBRA payments (including administrative and premium tax loads) for the rate period 9/1/2010 – 6/30/2011 are as follows (see exhibit 14 in the appendix for additional details):

Table 1
Capitation Rates

RIte Care Sep. 1, 2010 - Jun. 30, 2011
Capitation Rates

Capitation Rate Cell	January 2010 Enrollment	PMPM Rates With Article 20
MF <1	4,956	**$ 652.16**
MF 1-5	22,248	**$ 167.14**
MF 6-14	30,303	**$ 152.30**
Males 15-44	12,588	**$ 247.77**
Females 15-44	31,008	**$ 345.21**
MF >44	5,428	**$ 527.46**
Total [1]	106,531	**$ 265.20**
EFP	1,785	**$ 18.68**
SOBRA (Payment)		**$ 10,193**

[1] Total based on January 2010 enrollment

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RATE DEVELOPMENT METHODOLOGY

Claims & Enrollment Data

Claims data was provided by DHS and its subcontractors on behalf of the State, which we used to develop the capitation rates exhibited in the above table. The data reports, which were based on encounter data, covered State Fiscal Years (SFY) July through June ending in 2007, 2008 and 2009, stated on an incurred basis, paid through September, 2009 and estimated at 100% complete. The claims data was delineated by rate cell and by service categories that included facility, professional and pharmacy detail which allowed us to examine historical patterns for cost and utilization levels (see exhibit 1 in the appendix).

DHS staff provided additional information with which adjustments were made to the claims data for SFY 2007, SFY 2008 and SFY 2009. These adjustments were for off-line expenses not available in the claims (encounter data) system and included pharmacy rebates, reinsurance recoveries, and behavioral health management fees, which were identified and reconciled between DHS staff and the health plans.

DHS staff also provided enrollment data for SFY 2007, SFY 2008, SFY 2009 and January 2010 for each of the rate cells under consideration. The enrollment was based on the payments made to the health plans during the stated periods (see exhibit 2 in the appendix).

Completion Ratios

All claims data including SFY 2007, SFY 2008 and SFY 2009 were presented on an incurred basis paid through September 2009 and estimated complete at 100%. HealthCare Analytics relied on completion ratios developed by DHS and its subcontractors on behalf of the State, which were:

Table 2
Completion Ratios

Completion Ratios			
Service Category	**SFY 2007**	**SFY 2008**	**SFY 2009**
Inpatient	1.0000	0.9980	0.9285
Outpatient	1.0000	0.9979	0.9560
Professional	1.0000	0.9986	0.9701
Pharmacy	1.0000	0.9998	0.9967
Total	1.0000	0.9984	0.9581

Trends

Year-over-year, 2-year average and 3-year average trends were evaluated for behavioral and non-behavioral claims to isolate and evaluate the impact on trends from program changes introduced during the experience periods. Based on observations of the trends impacted by program changes during SFY 2009 (discussed further below) and plan discussions with DHS indicating multi-year contractual agreements with some one-time changes, a blended average annual trend of 8.4%, composed of the 3-year average trend for non-behavioral claims and the 2-year average trend for all other claims, excluding SFY 2009, was selected for forecasting. The 2-year behavioral health average excluded SFY 2009 due to 1st-year program changes, i.e. CAITS.

Table 3
Trend Selection

RIte Care September 1, 2010 - June 30, 2011
Trend Selection
Excluding SOBRA & EFP

Managed Care	SFY 06	SFY 07	SFY 08	SFY 09	Pct. Total
BH incl. CAITS	$ 15.28	$ 16.90	$ 17.80	$ 23.05	11.5%
"All Other" (incl. Rx)	$ 139.57	$ 147.28	$ 159.42	$ 178.10	88.5%
Total Mgd. Care	$ 154.85	$ 164.18	$ 177.22	$ 201.15	100.0%

Mgd. Care BH Trends	yr. over yr.	10.6%	5.3%	29.5%
	2-yr. average		7.9%	
"All Other" Trends	yr. over yr.	5.5%	8.2%	11.7%
	2-yr. average		6.9%	10.0%
	3-yr. average			8.5%
Blended Trend based on SFY '09 distribution of BH vs. All Other				8.4%

Note: PMPMs exclude offline adjustments

Base Period Data

A review of SFY 2009 data revealed greater than average increase in total PMPM impacted by a large increase in behavioral health services from SFY 2008 through SFY 2009. Additional analysis of behavioral health (BH) services for both the managed care (RIte Care) and the Fee-For-Service (FFS) populations over the same time period uncovered a contrasting relationship between the two populations – that of RIte Care exhibiting an increase while FFS showing a decrease. Further examination of behavioral health services also revealed that the timing of this "shift" coincided with DHS's implementation of the CAITS program for CIS services, first at the FFS level for this population (as out-of-plan services), then when CIS/CAITS was brought "in-plan" as part of the RIte Care benefits effective 4/1/2009. With these assessments at hand, an evaluation of the

combined RIte Care behavioral health and FFS CIS/CAITS services indicated a declining trend overall, supporting observations on the effectiveness of the CAITS program in practice. In light of these observations, we developed SFY 2009 base PMPMs a number of ways including, the behavioral health (BH) component adjusted with the indicated negative overall trend for RIte Care BH and FFS CIS/CAITS combined, and a blended PMPM utilizing SFY 2008 experience. In line with DHS efforts to promote best practice among the participating plans, the blended PMPM was calculated from the top two performing plans' experience, with SFY 2008 projected to SFY 2009 at the selected trend and SFY 2009, at 1/3 and 2/3 credibility weights respectively, to minimize the 1st-year impact of CAITS implementation on SFY 2009 experience. The resulting base period PMPMs ranged from $205.10 with the negative BH trend assumption to $206.40 with the blended top performers PMPMs. The blended PMPM of $206.40 was selected as the base period PMPM.

Table 4
Base Period PMPM:

RIte Care September 1, 2010 - June 30, 2011			
Base PMPM			
Excluding SOBRA & EFP			
	SFY 2007	SFY 2008	SFY 2009
Wtd. Avg. of All Health Plans	$ 172.52	$ 184.75	$ 212.18
Wtd. Avg. of Top 2 Performing Plans	$ 169.08	$ 181.90	$ 210.94
SFY 'xx to SFY '09	$ 198.70	$ 197.19	$ 210.94
Blended Base (1/3 & 2/3 wt. SFY '08 & SFY '09)			**$206.40**
Note: PMPMs include offline adjustments			

Adjustment for Program Changes

DRE Effect – The Drug Rebate Equalization Act of 2009 is anticipated to reduce the standard rebates currently attained by the health plans, although the extent of this impact is not yet known. In anticipation of future reductions in the standard rebates by the health plans, an adjustment was made to "discount" (reduce) the rebate amounts in the forecasted rate year by 50%.

Article 20 of the FY 2011 Appropriations Act – We relied on the analysis performed by DHS and its subcontractors to model out the impact of Article 20 to inpatient and outpatient projected claims expense as exhibited in the tables below. The language related to inpatient and outpatient is excerpted here for reference:

page 2	line	
	24	(B) With respect to inpatient services, (i) it is required as of January 1, 2011 until
	25	December 31, 2011, that the Medicaid managed care payment rates between each hospital and
	26	health plan shall not exceed ninety and one tenth percent (90.1%) of the rate in effect as of June
	27	30, 2010. Negotiated increases in inpatient hospital payments for the twelve (12) month period
	28	beginning January 1, 2012 may not exceed the Centers for Medicare and Medicaid Services
	29	national CMS Prospective Payment System (IPPS) Hospital Input Price index for the applicable
	30	period; (ii) The Rhode Island department of human services will develop an audit methodology
	31	and process to assure that savings associated with the payment reductions will accrue directly to
	32	the Rhode Island Medicaid program through reduced managed care plan payments and shall not
	33	be retained by the managed care plans; (iii) All hospitals licensed in Rhode Island shall accept
	34	such payment rates as payment in full; and (iv) for all such hospitals, compliance with the
page 3	1	provisions of this section shall be a condition of participation in the Rhode Island Medicaid
	2	program.
	3	(2) With respect to outpatient services and notwithstanding any provisions of the law to
	4	the contrary, for persons enrolled in fee for service Medicaid, the department will reimburse
	5	hospitals for outpatient services using a rate methodology determined by the department and in
	6	accordance with federal regulations. With respect to the outpatient rate, it is required as of
	7	January 1, 2011 until December 31, 2011, that the Medicaid managed care payment rates between
	8	each hospital and health plan shall not exceed one hundred percent (100%) of the rate in effect as
	9	of June 30, 2010.

The DHS analysis re-priced SFY 2009 managed care and fee-for-service Medicaid claims data projected to SFY 2011 per the provisions of Article 20, at a health plan and product-line level; the results of which were used in our estimates for the impact of Article 20.

Table 5
Impact of Article 20

RIte Care September 1, 2010 - June 30, 2011	
Impact of Article 20	
INPATIENT	
Non-SOBRA, Non-EFP	
Percent Savings to Total RIte Care	-1.7%
Forecasted PMPM (Excluding SOBRA & EFP) for Rate Period	$ 244.19
Estimated Inpatient Savings PMPM on Forecasted PMPM	$ (4.11)
SOBRA	
Percent Savings to Total SOBRA	-4.77%
Forecasted SOBRA Payment for Rate Period	$ 9,826
Estimated Inpatient Savings on Forecasted SOBRA Payment	$ (469.09)
OUTPATIENT	
Non-SOBRA	
Percent Savings to Total RIte Care (Including EFP)	-0.53%
Forecasted PMPM (Excluding SOBRA & EFP) for Rate Period	$ 244.19
Estimated Outpatient Savings PMPM on Forecasted PMPM	$ (1.30)
Forecasted EFP PMPM for Rate Period	$ 17.00
Estimated EFP Outpatient Savings PMPM on Forecasted PMPM	$ (0.09)
SOBRA	
Percent Savings to Total SOBRA	-0.5%
Forecasted SOBRA Payment for Rate Period	$ 9,826
Estimated Outpatient Savings on Forecasted SOBRA Payment	$ (48.17)

Selective Contracting – As described by DHS, *"MCO's shall implement measures to move selective out-patient procedures currently performed in an institutional setting to a community based setting in an effort to provide services closer to where members live and work in order to take advantage of lower pricing structures typically available in community settings. These out-patient services may include: X-ray and laboratory services, Ear-Nose-Throat (ENT) and out-patient surgeries"*. We relied on analysis performed by DHS and its subcontractors to estimate savings to outpatient claims expense as result of the implementation of Selective Contracting Initiative effective 9/1/2010. The DHS analysis assumed a 15% shift of X-Ray, Lab and Test services for the 1st year savings estimate, from hospital outpatient setting to a community-based (Independent Lab and Office) setting.

Table 6
Selective Contracting

RIte Care September 1, 2010 - June 30, 2011
Selective Contracting

Non-SOBRA

	With Article 20
Percent Savings from Selective Contracting to Total Non-SOBRA RIte Care	-0.49%
Forecasted PMPM (Excluding SOBRA & EFP) for Rate Period	$ 238.78
Estimated Selective Contracting Savings PMPM on Forecasted PMPM	$ (1.18)
Forecasted EFP PMPM for Rate Period	$ 16.91
Estimated EFP Selective Contracting Savings PMPM on Forecasted PMPM	$ (0.08)

SOBRA

	With Article 20
Percent Savings from Selective Contracting to Total SOBRA	-1.01%
Forecasted Gross SOBRA Payment for Rate Period	$ 9,309
Estimated Selective Contracting Savings on Forecasted SOBRA Payment	$ (93.88)

Communities of Care Initiative – As defined by DHS, "*the Communities of Care Initiative shall focus on emergency room users who have four or more emergency department (ED) visits within a year, and consists of three components: (1) intensive enhanced care management to meet complex medical conditions and chronic diseases; and care coordination and mentoring activities that assist members to navigate the care system and provide support to meet non-medical needs provided by a peer or paraprofessional; (2) incentives and rewards to members to promote personal responsibility, accountability, and good health care practices; and (3) selected high ED use members to be a part of one of two designated provider teams. A Restricted Provider Team (s) shall serve high ED use members who use multiple providers and have prescription narcotic/opiate related claims or who have a demonstrated pattern of inappropriately using medical resources. Members shall select specific providers (i.e. primary care, behavioral health, prescription provider, and pharmacy) to meet their needs. A Select Provider Team shall serve members with complex medical and chronic conditions"*. We relied on analysis performed by DHS and its subcontractors to estimate savings from the Communities of Care Initiative effective 9/1/2010. The DHS analysis assumed a 1st-year

savings of 2% on Communities of Care-related expenses, including inpatient, ED, E&M, behavioral health and Rx, for members with 4+ ED visits during the year, which yielded savings of less than 0.5% to total expenses.

Since Communities of Care will require enhanced care management activities from the health plans, DHS recognizes the additional administrative costs associated with the initiative by allocating an additional administrative expense for the effective implementation of Communities of Care – see the table below.

Table 7
Communities of Care

RIte Care September 1, 2010 - June 30, 2011 *Communities of Care*	
Non-SOBRA	
	With Article 20
Forecasted PMPM for Rate Period	$ 238.78
Percent Communities of Care Savings to Total Non-SOBRA RIte Care	-0.2%
Estimated Communities of Care Savings PMPM on Forecasted PMPM	$ (0.46)
Percent Communities of Care Related Admin to Total RIte Care - SFY 2009	0.12%
Estimated Communities of Care Admin PMPM on Forecasted PMPM	$ 0.28
SOBRA	
	With Article 20
Forecasted SOBRA Payment for Rate Period	$ 9,309
Percent Communities of Care Savings to Total SOBRA RIte Care	-0.1%
Estimated Communities of Care Savings on Forecasted SOBRA Payment	$ (8.68)
Percent Communities of Care Related Admin to RIte Care SOBRA- SFY 2009	0.06%
Estimated Communities of Care Admin on Forecasted SOBRA Payment	$ 5.35

Pharmacy Lock-In – DHS describes the Pharmacy Lock-In program as follows: *"The Code of Federal Regulations at 42CFR440.230(d) allows DHS to place appropriate limits on a medical service based on such criteria as medical necessity or on utilization control procedures. The Medical Assistance Pharmacy Lock-In Program has been established by the DHS to restrict recipients whose utilization of Medical Services is documented as being excessive. Recipients are "Locked-In" to specific providers in order to monitor services received and reduce unnecessary or inappropriate utilization. This program is intended to prevent Medical Assistance recipients from obtaining excessive quantities of prescribed drugs through multiple visits to physicians and pharmacies"*. We relied on analysis performed by DHS and its subcontractors to estimate the net savings from the Pharmacy Lock-In program effective 9/1/2010.

Table 8
Pharmacy Lock-In

RIte Care September 1, 2010 - June 30, 2011 *Pharmacy Lock-In*	
Non-SOBRA	
	With Article 20
Percent Savings from Rx Lock-In to Total Non-SOBRA RIte Care	-0.04%
Forecasted PMPM (Non-SOBRA, Non-EFP) for Rate Period	$ 238.78
Estimated Pharmacy Lock-In Savings PMPM on Forecasted PMPM	$ (0.09)

Generic Drugs First & CIS/CAITS – We carried forward the program adjustments and amendments made during the 7/1/08 – 6/30/09 rate period related to the Generic Drugs First (Generic Rx) program initiative effective 2/1/2009, and the inclusion of Child & Adolescent Intensive Treatment Services (CAITS) as in-plan benefits effective 4/1/2009. The Generic Rx savings were calculated on SFY 2009 experience, reflecting incremental savings potential in addition to what may already exist in the experience, the results from which were tempered with a 2/3 reduction to allow for expenses associated with medically necessary exemptions to the non-exempt list. The CAITS experience was excluded from the SFY 2009 encounter data due to the partial period, and was analyzed separately to develop the CAITS PMPM for the new rate period. See tables 9 & 10 below and Exhibits 9 and 10.

Table 9
Generic Drugs First Adjustment:

RIte Care September 1, 2010 - June 30, 2011
Generic Drugs First
Program Initiative Rate Adjustment

Age/Sex Cell	Members @ 1/31/10	Total Net Rx PMPM [1]	Non-Exempt Brand	Generic / Brand Price Differential	Adjustment to N.E. Brand Rx PMPM	Adjustment to N.E. Brand Rebates [2]	Total Adjustment Rx PMPM	**Total Adjustment As Applied [3]**
MF <1	4,956	$ 19.53	$ 1.35	-74%	$ (1.00)	$ 0.17	$ (0.84)	**$ (0.28)**
MF 1-5	22,248	$ 13.37	$ 1.97	-78%	$ (1.54)	$ 0.12	$ (1.42)	**$ (0.47)**
MF 6-14	30,303	$ 22.65	$ 6.30	-79%	$ (5.00)	$ 0.16	$ (4.84)	**$ (1.60)**
Males 15-44	12,588	$ 37.74	$ 12.61	-88%	$ (11.04)	$ 0.36	$ (10.68)	**$ (3.52)**
Females 15-44	31,008	$ 53.79	$ 13.77	-87%	$ (12.00)	$ 0.40	$ (11.61)	**$ (3.83)**
MF >44	5,428	$ 102.23	$ 29.86	-87%	$ (25.87)	$ 0.70	$ (25.17)	**$ (8.30)**
Total	106,531	$ 35.45	$ 9.29	-85%	$ (7.91)	$ 0.27	$ (7.63)	**$ (2.52)**
EFP	1,785	$ 4.28	$ 0.09	-17%	$ (0.02)	$ -	$ (0.02)	**$ (0.01)**

[1] Total Net Rx PMPM includes rebates
[2] Adjustment to rebates assumes no rebates available for generic substitutions on Non-Exempt Brand
[3] Results were reduced by 2/3 to account for medically necessary exemptions

Table 10
CAITS In-Plan Benefit PMPM

RIte Care September 1, 2010 - June 30, 2011
CAITS PMPM Projections as In-Plan Services
For RIte Care Eligibles

	9/1/08 - 6/30/09	
Cap Cell	Avg. RC Members	CAITS PMPM
MF 1-5	21,263	$ 1.86
MF 6-14	29,250	$ 7.18
M 15-44	11,787	$ 1.95
F 15-44	29,812	$ 1.21

Projected to the Rate Period, at Selected Trends

Periods	**Annual Trend**	**Trend Period (Yrs.)**	**Trend Factor**
Base period midpoint (2/1/09) to 9/1/10-6/30/11	8.2%	2.000	1.171

Cap Cell	RC Mems @ 1/31/2010	CAITS PMPM
MF 1-5	22,248	$ 2.18
MF 6-14	30,303	$ 8.40
M 15-44	12,588	$ 2.28
F 15-44	31,008	$ 1.42
RC Core Excl. EFP	106,531	$ 3.53

[1] The trends are assumed to be credibility weighted average of 8.5% CIS/CAITS (as indicated by the 2-year weighted average for all cap cells from SFY '06 to SFY '08), and 7.9% Managed Care Behavioral Health trend for the 2-year weighted average trend from SFY '06 to SFY '08, at 50% and 50% credibility weights

Fraud & Abuse – The additional provisions for healthcare compliance as contained in the model contract, and the healthcare compliance programs as mandated by the Healthcare Reform Law of the Patient Protection and Affordable Care Act (PPACA) of 2010 are expected to produce additional savings in the healthcare system. In anticipation, an adjustment was applied to recognize such savings at a moderately low first-year level of 0.5% of claims, as Fraud & Abuse prevention and recovery programs are newly introduced or existing ones better implemented.

Administrative Load & Premium Tax

The administrative load was increased 3.5% on last rate period's rates across all rate cells except EFP and SOBRA. The EFP administrative load was rebalanced to reflect the weighted average administrative load of the other rate cells (excluding SOBRA). The capitation rates for the rate cells were also loaded for 2% premium tax.

Summary

In summary, the blended base period PMPM was trended at the selected trend of 8.4%, adjusted for the anticipated effects of DRE on future rebates, the estimated impact of Article 20, estimated savings from Selective Contracting, Communities of Care and Pharmacy Lock-in, the Generic Drugs First program initiative, the inclusion of CAITS services as in-plan benefits, and the anticipated impact of PPACA's healthcare compliance – Fraud & Abuse mandate. The resultant PMPMs were then loaded for administration and premium tax. For EFP and SOBRA, similar steps were followed and adjustments allocated as applicable to the program components – see the following tables for the details.

Table 11
Projected & Adjusted RIte Care PMPM Excluding SOBRA & EFP

RIte Care September 1, 2010 - June 30, 2011
Projected PMPM
Excluding SOBRA & EFP

	PMPM With Article 20
Base PMPM Excluding SOBRA & EFP	**$ 206.40**
Selected Trend for Projection	8.40%
Projection Period (years)	2.08
Projected PMPM Excluding SOBRA & EFP	$ 244.19
Adjustments:	
DRE Effect	$ 0.51
Article 20 - Inpatient	$ (4.11)
Article 20 - Outpatient	$ (1.30)
Selective Contracting - X-Ray, Lab & Tests	$ (1.18)
Communities of Care	$ (0.46)
Communities of Care Admin	$ 0.28
Pharmacy Lock-in	$ (0.09)
Generic Drugs First Program Initiative	$ (2.52)
CAITS In-Plan Services	$ 3.53
Fraud & Abuse	$ (1.19)
Subtotal Medical PMPM	$ 237.66
Projected Admin. Exp.	$ 22.24
2% Premium Tax	$ 5.30
Projected PMPM Excluding SOBRA & EFP	**$ 265.20**

Extended Family Planning (EFP)

Table 12
Projected & Adjusted EFP PMPM

RIte Care September 1, 2010 - June 30, 2011 *Extended Family Planning (EFP)*	PMPM With Article 20
SFY 2009 EFP Claims PMPM	**$ 14.84**
Selected Trend for Projection	6.8%
Projection Period (years)	2.08
Projected EFP Claims PMPM	$ 17.00
Adjustments:	
DRE Effect	$ -
Article 20 - Outpatient	$ (0.09)
Selective Contracting - X-Ray, Lab & Tests	$ (0.08)
Generic Drugs First Program Initiative	$ (0.01)
Fraud & Abuse	$ (0.08)
Subtotal Projected EFP Claims PMPM	$ 16.74
Projected Admin Expense	$ 1.57
2% Premium Tax	$ 0.37
Total Projected EFP Payment Rate	**$ 18.68**

SOBRA

The SOBRA payment rate was developed based on the plan submitted Encounter data for SFY 2007, SFY 2008 and SFY 2009, incurred and paid through September 2009, estimated 100% complete. Although the indicated average annual trend ranged from 9% to 10%, we observed contrasting trends between one of the plans (Plan A) and the remaining plans in the volume of births, with a large but decreasing variance in the cost of births, pointing to a more stable trend in the 6% to 8% range moving forward. For this reason, a blended trend of 7.4% was developed based on the credibility weighted average of the trends for Plan A and the other plans at 1/3 and 2/3 weights respectively.

The SOBRA administrative load was held level at the current (7/09 – 6/10) rate of $777. The payment rate was further loaded with the 2% premium tax.

Table 13
Projected & Adjusted SOBRA Rate

RIte Care September 1, 2010 - June 30, 2011
Projected SOBRA Payment Rate

SOBRA Experience			
	SFY 2007	**SFY 2008**	**SFY 2009**
Claims Expense	$ 37,308,413	$ 40,851,492	$ 41,949,374
Number of Births	5,275	5,255	4,957
Net Cost / Birth	$ 7,073	$ 7,774	**$ 8,463**

	SFY 2007	SFY 2008	SFY 2009	
% Diff Plan A vs. Other Plans in Cost/Birth	-12.9%	-8.0%	-2.4%	2-Year Average
Avg Annual Cost/Birth % Change - Excluding Plan A		6.3%	4.5%	**5.4%**
Avg Annual Cost/Birth % Change - Plan A		12.3%	10.9%	**11.6%**
Selected Blended Trend (2/3 Other Plans & 1/3 Plan A)				**7.43%**

	PMPMs With Article 20
Base Period Net Cost / Birth	$ 8,463
Applied Annual Trend	7.43%
Projection Period	2.08
Projected Net Payment Rate	**$ 9,826**
Adjustments:	
Article 20 - Inpatient	$ (469.09)
Article 20 - Outpatient	$ (48.17)
Selective Contracting	$ (93.88)
Communities of Care	$ (8.68)
Comunities of Care Admin	$ 5.35
Fraud & Abuse	$ -
Subtotal SOBRA Payment	**$ 9,212**
SOBRA Admin. Load	$ 777
2% Premium Tax	$ 204
Projected SOBRA Rate	**$ 10,193**

Actuarial Certification

The capitation rates exhibited in Table 1 above along with all supporting exhibits in the appendix of this document received an actuarial certification under a separate cover from the actuarial firm of Donlon & Associates, Inc.

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APPENDIX